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SUBJECT: ARGENTINE CG DISCUSSES REGIONAL INTEGRATION, CALLS FOR
BRAZIL-ARGENTINA AMITY

REF: BRASILIA 661

SUMMARY

¶1. (U) In a recent speech on Argentine-Brazilian bilateral relations, Argentine Consul General Vidal faulted regional asymmetries for Mercosul's disappointing economic performance (reftel) and proposed strengthening cultural ties as a means of achieving regional integration. Vidal points to industrial, juridical, and financial asymmetries as the primary obstacles to southern cone integration. While by no means a cure-all, reinforcing cultural similarities within regional partners could help ease simmering tensions and encourage the long-term goal of overall integration. END SUMMARY.

IMPOLITIC AND UNDIPLOMATIC

¶2. (U) Recently, Argentine Consul General Norberto Vidal, who has since departed Brazil, delivered remarks at a professional development seminar organized by Noronha Law Offices. Surprisingly impolitic and undiplomatic, Vidal proved an engaging speaker with a message seldom heard among Brazilians and Argentines: that they should become better friends. To overcome the regional asymmetries inhibiting regional integration, Vidal suggests strengthening the Brazilian-Argentine cultural relationship. Vidal identified three principal asymmetries: juridical, industrial, and financial.

OBSTACLES TO INTEGRATION

13. (U) INDUSTRIAL ASYMMETRY: Vidal blamed industrial asymmetry as the main obstacle to commercial integration. Taking a historical view, Vidal identified present-day industrial asymmetry as the result of differing approaches taken by erstwhile Argentine and Brazilian dictatorships, with Argentina seeking to de-industrialize while Brazil sought progressive industrial reform and development. These approaches left deep marks on the respective economies, ultimately resulting in Brazil's industrial dominance of the Southern Cone. Vidal noted that in the 1950s, Argentina was first among the Latin American markets, whereas now it trails third behind Mexico and Brazil. Although Argentina maintained dominance in some sectors (e.g., viniculture - a pet industry of the Argentine CG), Brazil's industrial dominance has given rise to resentment among its neighbors. As evidence, Vidal cited the common Argentine complaint of pervasive "Brasil dependence" - a pejorative reference to the abundance of Brazilian imports on the Argentine market (estimated at 35 percent of total imports). This industrial asymmetry exacerbates prejudices on both sides of the border, fostering resentment among Argentines and a feeling of superiority among Brazilians. These perceptions color the entire regional relationship and create barriers to regional integration.

14. (U) JURIDICAL ASYMMETRY: Vidal also faulted juridical imbalances between Brazil and Argentina for complicating regional commercial integration. He cited great disparities in the quality and substance of tax laws, corporate laws, and government regulations, to name just a few areas. These juridical differences account, in part, for the inability of Mercosul's adjudicating body to establish itself as an effective dispute resolution organ. The perceived weakness in Mercosul's dispute settlement body (witness Mercosul's inability to mediate the bitter Argentina-Uruguay paper mill row) has undermined confidence in the agreement as a whole. According to Vidal, this is an outgrowth of the inability to effect

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judicial reforms throughout the region.

15. (U) FINANCIAL ASYMMETRY: Vidal was very frank in his treatment of the Argentine financial crisis and cited financial asymmetry as another factor undermining successful regional integration. He described the Argentine struggle to overcome the financial crisis as "re-emerging after the end of the world." Vidal admits that Argentina's financial difficulties effectively handicap its ability to focus on narrowing the gap between its neighbors, especially in terms of industrial parity. He also recognized that the financial crisis will leave its imprint on Argentina's society and political machinery for years to come, complicating the national political agenda and retarding formal overtures toward regional integration. He used this to segue into "alternative" ways to promote regional integration and strengthen the Argentina-Brazil bilateral relationship in particular.

"WE ARE BROTHERS"

16. (U) EMPHASIZING SIMILARITIES: To Vidal, mutual cultural approbation is the key to strengthening regional ties. He criticized politicians as ineffective in this respect, given that they seldom benefit from recognizing common ground and tend to find advantage in highlighting differences. Vidal pointed out that, in reality, Argentines and Brazilians have more in common than not. Both were colonies, and while Portuguese and Spanish colonization left distinct imprints on the respective societies, both countries emerged from this experience with numerous commonalities. Vidal mentioned that Brazil's ease of gaining independence and Argentina's bellicose efforts marked the psyche of their peoples and credited this experience with helping make Brazilians an "easier-going" people. Both countries share a recent history of military dictatorship and both have made the transition to representational democracy. Vidal also pointed out that a shared love of art, music, and food defines both Argentine and Brazilian cultures and provides much common ground to build upon.

17. (U) INTEGRATING FROM THE BOTTOM UP: Vidal claimed that as a

grassroots effort, mutual appreciation can do more to enable regional integration than bilateral summits and the exchange of official delegations. As local opinions begin to favor regional integration, national leaders are likely to become more comfortable "leading the way." To this end, Vidal suggested academic, agricultural, and industrial exchanges to help strengthen ties between the two countries. During a meeting with the Governor of Sao Paulo state, Vidal suggested a sister-state proposal that would link Sao Paulo with the Argentine state of Mendoza and allow for the two regions to share expertise. Vidal highlighted Mendoza as a region that enjoys incredible bureaucratic efficiency and thriving viniculture, whereas Sao Paulo enjoys a reputation as a leader in industry and innovation. Sub-regional partnerships such as the Sao Paulo-Mendoza pairing would serve to promote the regional integration agenda from the bottom up. Vidal suggests that similar sister-state pairings could prove highly successful, helping to extend cultural contacts beyond Brazil's southern states that border Argentina - i.e., Rio Grande do Sul, Parana, and Santa Catarina.

¶8. (U) NO CURE-ALL: Vidal recognizes that cultural exchanges alone will not solve the regional integration problem. For example, lack of pan-regional infrastructure in terms of integrated waterways, roadways, and railroads between countries in the Southern cone is a great obstacle to practical, functional commercial integration. Nevertheless, increased cultural appreciation at the popular level will facilitate political willingness to support regional integration efforts, such as infrastructure projects.

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¶9. (U) CURRENT POPULAR OPINION: Vidal concluded his remarks by citing recent polls indicating that 70 percent of Argentines have a positive impression of Brazil, while only 12 percent have a distinctly negative opinion. Moreover, 60 percent of Argentines favor Mercosul and regional integration. Vidal claims that traditional rivalries between Brazil and Argentina have lost their original foundations and have simply become rivalries for the sake of tradition. He believes culture will ultimately be the great unifying force in the region. Given the seemingly insurmountable obstacles to integration, creating a regional culture should be the near-term goal, one that will facilitate the longer-term efforts of strengthening regional industrialization, judicial reform, financial security, and infrastructure development.

¶10. (U) This cable was cleared/coordinated with Embassy Brasilia.

MCMULLEN